

Government  
Publications

Dept of  
Affairs

Consumer

General publications

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**NEW**

**LAW**

**FOR**



**CONSUMER**

**PURCHASES**

## **DID YOU EVER:**

- Agree to buy something on credit?
- Not get what you bargained for?
- And still have to pay for it?

If you did, you know how maddening and unfair it was.

But you should also know that now — because of a change in the law — you are better protected from that sort of thing happening in Canada.

## **HERE'S WHY:**

In the past, hundreds of Canadians have bought something on credit, and . . .

- Never got it . . . but still had to pay!
- Got it, but it was defective . . . and still had to pay!
- Got it, but the seller didn't honour a contract to service it . . . yet still had to pay!

Not very fair, obviously. In many cases, these hardships for consumers arose because of the law in this country regarding promissory notes.

## **PROMISSORY NOTES HAVE WORKED THIS WAY:**

Suppose you bought a set of books, or a household appliance, or anything, from a door-to-door salesman or from any merchant. And you bought it on credit. You signed a note by which you promised to pay the stated terms. Whether you knew it or not, this was a promise to pay no matter what conditions arose. The seller, as regularly happens, sold your note to a financial institution to give himself ready cash.

Then, you did not really owe the money to the man or company that you did business with. You owed it to the financial institution that had purchased your promise-to-pay.

Time and again, it has happened that the seller went out of business before he delivered your article. Or he misled you and what he delivered was not what you thought you were getting. Or the article didn't work, and he wouldn't fix it. Or he contracted to provide regular servicing but didn't honour it.

You were not legally on firm ground in disputing the claim of a financial institution for payment even if you suffered because the seller did not keep his part of the bargain. That was no defense in law for not paying the "holder in due course", as the company that bought your note is known. That company had the right to collect from you, but had no responsibility to you regarding your purchase.

## NOW

We have changed the relevant law, the Bills of Exchange Act, in two chief ways:

1. You now, for the first time, have a legal defence if a financial institution sues you for non-payment but the original seller of the goods you purchased has defaulted on his part of the bargain. Purchases by you, the consumer, through promissory notes or cheques postdated more than 30 days, no longer involve the same *unconditional* obligations to pay if you were

cheated on your deal and the courts agree with you. And that means that consumer credit grantors will look *very much harder* at the sellers, weeding out the fraudulent and shady ones.

**2.** The note or postdated cheque that you sign now must bear the words CONSUMER PURCHASE prominently and clearly. That's important, because those words mean that the note is special and that the unconditional payment terms of other promissory notes do not apply.

A last word: the change in the law does not mean that a person can get out of paying just debts. And it certainly does not mean that you shouldn't be very careful about every contract you sign. *Read the fine print.* Don't be afraid to insist on a day or two to read the contract over. Don't let anyone fast-talk you into signing anything on the spot. You'll save yourself a lot of trouble.

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Department of consumer and corporate affairs



Ron Basford, Minister

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